COMPETITIVE CONTRACT APPROACH

A RECENT DEVELOPMENT HAS OCCURRED IN STATEN ISLAND WHICH, IF IT SPREADS TO OTHER DIVISIONS IN THE REGION; COULD HAVE A SERIOUS EFFECT ON OUR OBJECTIVES.

IT APPEARS THAT BOTH PM AND B&W REPRESENTATIVES CALLING ON STATEN ISLAND ACCOUNTS MAY HAVE A "GENTLEMEN'S" AGREEMENT TO BENEFIT EACH OTHER.

THE TACTIC APPEARS TO BE TARGETED TOWARD RJR/PM CO-EXISTENCE ACCOUNTS AS FOLLOWS:

-B&W S/R APPROACHES A DESIRABLE ACCOUNT AND, WHEN SIGNING NEW CONTRACTS, ASKS THE RETAILER:

HOW MUCH ARE YOU MAKING OFF CONTRACTS?

RJR BASE-$175, PM MASTERS-$405 AND B&W OR ATC-$50 TOTALLING --$630 A MONTH

HOW WOULD YOU LIKE TO MAKE $815 A MONTH?

IT IS IMPORTANT TO NOTE THAT THIS DISCUSSION OCCURS BEFORE PM HAS SIGNED THEIR NEW CONTRACTS INCREASING THEIR MONIES. IN THIS FASHION, THE RETAILER IS LED TO BELIEVE HE WOULD GET A $185 A MONTH INCREASE IN CONTRACTUAL MONIES. WITH BUSINESS TRENDING DOWNWARDS, IT IS A VERY ATTRACTIVE OFFER.

B&W INCORPORATES BRACKET CREEP TO GET THEIR CONTRACT VALUE TO THEIR HIGHEST PAID GOLD LEVEL OF $210 A MONTH. THEY THEN ADVISE THE RETAILER THEY WOULD SIMPLY SWITCH DISPLAY POSITIONS WITH RJR AND TO DISCUSS THE PROPOSED B&W POSITIONS WITH PM TO ENSURE THEY DO NOT JEOPARDIZE PM CONTRACTS. IN AT LEAST TWO INSTANCES, THE VERY NEXT PERSON TO WALK THROUGH THE DOOR IS THE PM REP. WHO ADVISES THE RETAILER THAT THERE IS NO PROBLEM AND THAT IF THE RETAILER SIGNS A NEW CONTRACT, HIS PAYMENT GOES TO $605 A MONTH. B&W COMES BACK IN A DAY OR TWO LATER AND SIGNS THE $210 CONTRACT.

PM TAKES:

#1 AND #3 FULL PRICE POSITION
#1 SAVINGS POSITION
TAKES 2/3 OR MORE OF THE PDI
EXCEEDS ROW REQUIREMENTS
PAYS EXCLUSIVE FLEX FUND MONIES

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Source: https://www.industrydocuments.ucsf.edu/docs/jlxy0000

B&W GETS:

#2 FULL PRICE POSITION
#2 SAVINGS POSITION
BALANCE OF THE ADVERTISING

IMMEDIATELY, ALL PROMOTION STOPS FROM BOTH COMPANIES.

PM DOES NOT HAVE TO DEAL WITH RJR.
B&W HAS SIGNIFICANTLY IMPROVED THEIR POSITION AND PRESENCE AND DOES NOT REDUCE GPC OR ANY OTHER SAVINGS BRAND ENABLING BETTER PROFIT.

WE ARE FROZEN OUT OF THE TOP 3 FULL PRICE AND THE TOP 2 SAVINGS POSITIONS IN THE STORE WITH NO AD COPY PRESENCE AND OTHER THAN TEMPORARY DISPLAYS; NO ABILITY TO COMPETE.

RECOMMENDATION

THE BEST APPROACH TO COMBAT THIS STRATEGY MAY BE THE FOLLOWING:

CONTACT ALL KEY ACCOUNTS ADVISING THEM TO GIVE YOU A CHANCE TO PRESENT YOUR CONTRACTS PRIOR TO COMMITTING TO COMPETITIVE CONTRACTS WHICH MAY PLACE US AT A DISADVANTAGE.

BE SURE THAT PM HAS OFFERED THEIR NEW CONTRACT MONIES.

REDUCE THE PROBLEM TO B&W CONTRACTS VERSUS RJR CONTRACTS AND **PROMOTIONS/SERVICE. DO NOT TRY TO FIGHT THE TOTAL PAYMENT** AS THIS ISSUE RESOLVES ITSELF.

POINT OUT TO RETAILER THAT IF HE HAD MOVED NO DISPLAYS, AND SIMPLY SIGNED THE NEW PM CONTRACT, HIS PAYMENT WOULD HAVE BEEN $830 SO HE HAS LOST $15 A MONTH AND PROMOTED PRODUCT PLUS RJR SERVICE.

OUR BASE CONTRACTS COUPLED WITH OTHER TOOLS WE HAVE SUCH AS; FULL PRICE SIGNAGE, FPDT, SDT, ETC. MIGHT HAVE RAISED THE TOTAL EVEN MORE.

STRESS THE FULL YEAR PROMOTIONAL ACTIVITY THAT WE OFFER AND OUR FLEX FUNDS.

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